



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
FORMER FLOYD COUNTY SHERIFF**

**Calendar Year 1997**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[WWW.KYAUDITOR.NET](http://WWW.KYAUDITOR.NET)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES .....	3
NOTES TO FINANCIAL STATEMENT .....	5
COMMENTS AND RECOMMENDATIONS.....	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	13





## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Paul H. Thompson, County Judge/Executive and Former Sheriff

Honorable John K. Blackburn, Floyd County Sheriff

Members of the Floyd County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former Sheriff of Floyd County, Kentucky, for the year ended December 31, 1997. This financial statement is the responsibility of the former Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the former Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former Sheriff for the year ended December 31, 1997, in conformity with the basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Paul H. Thompson, County Judge/Executive and Former Sheriff

Honorable John K. Blackburn, Floyd County Sheriff

Members of the Floyd County Fiscal Court

Based on the results of our audit, we have presented comments and recommendations, included herein, which discuss the following areas of noncompliance:

- The Former Sheriff Should Have Maintained An Adequate County Revenue Bond
- The Former Sheriff Should Eliminate The \$2,683 Deficit In His 1995 Official Fee Account
- The Former Sheriff Should Have Presented An Annual Financial Statement To The Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated September 22, 1999, on our consideration of the former Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -  
September 22, 1999

FLOYD COUNTY  
PAUL H. THOMPSON, FORMER SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1997

Receipts

Federal Grants:

COPS Grant	\$ 4,221	
U.S. Corp of Engineers	<u>29,965</u>	\$ 34,186

State Fees For Services:

Finance and Administration Cabinet	\$ 39,210	
Cabinet For Human Resources	<u>3,270</u>	42,480

Circuit Court Clerk:

Arrest Fees	\$ 2,370	
Sheriff Security Service	14,471	
Fines and Fees Collected	19,852	
Court Ordered Receipts	<u>10,620</u>	47,313

County Clerk - Delinquent Taxes	18,053
---------------------------------	--------

Commission On Taxes Collected	255,246
-------------------------------	---------

Fees Collected For Services:

Security Services	\$ 96,245	
Auto Inspections	7,813	
Accident and Police Reports	160	
Serving Papers	<u>18,843</u>	123,061

Other:

D.A.R.E. Program	\$ 15,279	
Advertising Fees	1,747	
Election Commission	50	
Carrying Concealed Deadly		
Weapon Permits	12,000	
Miscellaneous	1,515	
Postage	8,481	
Payroll - Domestic Violence	<u>4,400</u>	43,472

Interest Earned	9,081
-----------------	-------

Borrowed Money:

State Advancement	<u>100,968</u>
-------------------	----------------

Gross Receipts (Carried Forward)	\$ 673,860
----------------------------------	------------

FLOYD COUNTY  
 PAUL H. THOMPSON, FORMER SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 1997  
 (Continued)

Gross Receipts (Brought Forward) \$ 673,860

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Gross Salaries	\$ 252,269
Other Gross Salaries	110,548
Unemployment Insurance	5,302

Employee Benefits-

Employer's Share Social Security	30,226
----------------------------------	--------

Contracted Services-

Transporting Prisoners	1,354
Advertising	1,154
Vehicle Maintenance and Repairs	34,365

Materials and Supplies-

Office Materials and Supplies	6,928
Uniforms	5,262

Auto Expense-

Gasoline	41,950
----------	--------

Other Charges-

Dues	625	
Postage	9,542	
Audit Fees	1,882	
Accounting Fees	143	
Computer Services	78	
Bank Charges	1,345	
Carrying Concealed Deadly		
Weapons Permits	7,800	
D.A.R.E. Expense	1,020	
Domestic Violence Payroll	4,800	
Executions	3,000	
Bond	946	
Miscellaneous	5,414	\$ 525,953

Debt Service:

State Advancement	100,968
-------------------	---------

Total Disbursements	626,921
---------------------	---------

Net Receipts	\$ 46,939
--------------	-----------

Less: Statutory Maximum	47,899
-------------------------	--------

Balance Due At Completion Of Audit	\$ 0
------------------------------------	------

The accompanying notes are an integral part of the financial statement.



FLOYD COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 1997

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent. Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

FLOYD COUNTY  
 PAUL H. THOMPSON, FORMER SHERIFF  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 1997  
 (Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits:

The former Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The former Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 15, 1997, the uncollateralized amount on deposit was \$10,485. The pledged collateral and FDIC insurance did not equal or exceed the amount on deposit.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of December 15, 1997.

	<u>Bank Balance</u>
Collateralized with securities held by the county official's agent in the county official's name	\$ 100,000
Uncollateralized and uninsured	<u>10,485</u>
Total	<u><u>\$ 110,485</u></u>

Note 4. Mountain Area Drug Task Force

The former Sheriff maintained a Drug Task Force Account that was funded by a grant to the county. This fund was used to pay for expenses of the Drug Task Force and other miscellaneous items. This account had a beginning balance of \$21,181 as of January 1, 1997. Bank charges totaling \$20 were expended during 1997 calendar year, leaving a balance of \$21,161 as of December 31, 1997.

## COMMENTS AND RECOMMENDATIONS



FLOYD COUNTY  
PAUL H. THOMPSON, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS

Calendar Year 1997

STATE LAWS AND REGULATIONS:

1. The Former Sheriff Should Have Maintained An Adequate County Revenue Bond

During the audit, we found that the former Sheriff's county revenue bond expired March 22, 1997, and was not renewed upon expiration. KRS 134.250 requires the Sheriff's office to have a bond sufficient to cover all money collected by him. KRS 134.250 also states the bond must be approved by the Fiscal Court, recorded in the Fiscal Court Minutes, and filed by the Fiscal Court with the County Clerk. In addition, KRS 62.156 states the Sheriff's office may direct the county to pay for bond premiums. We recommend the Sheriff's office obtain a bond sufficient enough to protect the county from loss.

*Management's Response:*

*We have presented the bond to the Fiscal Court, and we received no response.*

2. The Former Sheriff Should Eliminate The \$2,683 Deficit In His 1995 Official Fee Account

Former Sheriff, Paul H. Thompson, had a total fund deficit in his 1995 Fee Account of \$8,183. This deficit was the result of the former Sheriff receiving \$1,662 in salary in excess of the statutory maximum and spending in excess of receipts. The former Sheriff also incurred an audit fee of \$5,500 and the remaining unexplained balance of \$1,021; therefore, creating a shortage of funds available in the 1995 account. This 1995 deficit was reduced by \$5,500 when the Fiscal Court paid the above mentioned audit fee for the 1995 audit, resulting in a remaining deficit of \$2,683. We recommend the former Sheriff eliminate the remaining deficit by depositing personal funds of \$2,683 into his 1995 Fee Account.

*Management's Response:*

*No Comment.*

3. The Former Sheriff Should Have Presented An Annual Financial Statement To The Fiscal Court

The former Sheriff did not present an annual financial statement to the Fiscal Court. KRS 134.310 requires a statement of receipts and disbursements for all funds of the Sheriff's office be submitted to the Fiscal Court at the time the Sheriff files and makes his final tax settlement. In the future, we recommend the Sheriff's office present an annual financial statement to the Fiscal Court.

*Management's Response:*

*Management concurs with auditor's recommendation.*

PRIOR YEAR:

- The Former Sheriff Should Eliminate The Deficit In His 1995 Official Fee Account

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







## Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Paul H. Thompson, County Judge/Executive and Former Sheriff  
Honorable John K. Blackburn, Floyd County Sheriff  
Members of the Floyd County Fiscal Court

### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the former Floyd County Sheriff as of December 31, 1997, and have issued our report thereon dated September 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the former Floyd County Sheriff's financial statement as of December 31, 1997, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Former Sheriff Should Have Maintained An Adequate County Revenue Bond
- The Former Sheriff Should Eliminate The \$2,683 Deficit In His 1995 Official Fee Account
- The Former Sheriff Should Have Presented An Annual Financial Statement To The Fiscal Court

#### Internal Control

In planning and performing our audit, we considered the former Floyd County Sheriffs' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Paul H. Thompson, County Judge/Executive and Former Sheriff  
Honorable John K. Blackburn, Floyd County Sheriff  
Members of the Floyd County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 22, 1999

